

**REPORT ON EXAMINATION AS TO CONDITION**

**OF THE**

**SLOVAK CATHOLIC SOKOL**

**PASSAIC, NEW JERSEY 07055**

**AS AT DECEMBER 31, 2008**

**NAIC SOCIETY CODE 57193**

**FILED**

**March 29, 2010**

Commissioner  
Department of Banking & Insurance

## **TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
Salutation.....	1
Scope of Examination.....	2
Compliance With Prior Report on Examination Recommendations.....	3
History.....	4
Fidelity Bond and Other Insurance Coverages.....	7
Employee Welfare and Pension Plans.....	8
Insurance Products and Related Services.....	8
Accounts and Records.....	10
Financial Statements and Other Exhibits.....	11
 Exhibit A - Statement of Assets, Liabilities, Surplus and Other Funds at December 31, 2008 .....	 12
 Exhibit B – Summary of Operations for the Five Years Ended December 31, 2008.....	 13
 Exhibit C - Surplus Account for the Five Years Ended Decemberer 31, 2008.....	 14
 Notes to Financial Statements:	
 Aggregate Reserve for Life Certifiates and Contracts.....	 15
Surplus as Regards Policyholders (Unassigned Funds).....	16
 Subsequent Events.....	 16
Summary of Recommendations.....	17
Conclusion.....	18
Notary Page.....	19



**State of New Jersey**  
DEPARTMENT OF BANKING AND INSURANCE  
PO Box 325  
TRENTON, NJ 08625-0325  
TEL (609) 292-5360

JON S. CORZINE  
*Governor*

NEIL N. JASEY  
*Commissioner*

December 31, 2009

Honorable Neil N. Jasey  
Commissioner of Banking and Insurance  
P.O. Box 325  
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by the revised statutes of New Jersey (NJSA) an examination has been made of the assets, liabilities, methods of conducting business and other affairs of the:

SLOVAK CATHOLIC SOKOL  
PASSAIC, NEW JERSEY 07055-5224  
NAIC COMPANY CODE 57193

Hereinafter referred to as the "Sokol" or "Society".

## SCOPE OF EXAMINATION

This examination was called by the New Jersey Commissioner of Banking and Insurance in compliance with the requirements of NJSA 17:23-22. The examination was a full scope comprehensive examination and was conducted at the Society's office located at 205 Madison Street, Passaic, New Jersey 07055-5224.

The present examination covers the five-year period from January 1, 2004 through December 31, 2008.

During the five-year examination period, the Company's admitted assets decreased from \$51,642,468 to \$51,028,669. Liabilities increased from \$39,312,755 to \$41,282,235. Surplus decreased from \$12,329,713 to \$9,746,434.

The conduct of the examination was governed in accordance with the procedures of the National Association of Insurance Commissioners (NAIC) and followed regulatory procedures prescribed or permitted by the New Jersey Department of Banking and Insurance.

In determining the emphasis to be placed on each balance sheet account, consideration was given to correspondence from the New Jersey Department of Banking and Insurance, the Society's system of internal controls, the materiality of each account and its relationship to the Society's solvency and the results of analytical reviews performed by the New Jersey Department of Banking and Insurance and by the examination staff.

There were no accounts requiring special emphasis.

Accounts requiring standard emphasis were:

- Bonds
- Common Stocks
- Mortgage Loans
- Real Estate
- Cash and Short-Term Investments
- Investment Income Due and Accrued
- Agents' Balances in the Course of Collection
- Aggregate Reserve for Life Certificates and Contracts
- Liability for Benefits for Employees and Fieldworkers
- Interest Maintenance Reserve
- Asset Valuation Reserve

All other accounts were assigned to reduced emphasis.

The verification of financial statements and review of the Society's affairs, as reported herein, were obtained through test checks of the detail supporting the accounts involved, compliance with the Revised Statutes of New Jersey, and adherence to NAIC and New Jersey Department of Banking and Insurance rules and regulations. Original documents, vouchers and related records were examined to the extent deemed necessary to substantiate the

conclusions and findings of this examination. Income and disbursement items related to investments were tested to pertinent records. Limited test checks were also made of general expenses, claim disbursements and other expenses, both of a corporate and insurance nature. This examination report was prepared using the New Jersey Department of Banking and Insurance's short-form format. Any balance sheet account, which is deemed immaterial, is not specifically referred to in this report unless there is a failure of the Society to disclose a significant adverse finding, material change or information regarding a regulatory nature.

### COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS

The following is a list of recommendations made in the prior examination report and the Society's compliance with those recommendations:

#### Accounts and Records

It was recommended that the Society develop a more formal plan for disaster recovery and continuity of operations.

The Society complied with this recommendation. However, the Society's plan for disaster recovery and continuity of operations has yet to be tested (See page 10).

#### Bonds and Stocks

It was recommended that the Society should take more care in preparing Schedule D in the Annual Statement and follow the NAIC Annual Statement Instruction Manual.

The Society complied with this recommendation.

It was recommended that the Society take more care in their accrued interest calculations in the future.

The Society complied with this recommendation.

It was recommended that the total for column 10 of Schedule D Part 2, Section 2 of the Annual Statement be apportioned out to each individual stock.

The Society complied with this recommendation.

#### Cash and Short-Term Investments

It was recommended that the Society file escheat reports to the State of New Jersey for escheatable funds in accordance with N.J.S.A. 46:30B of, "The Uniform Unclaimed Property Act (1981)."

The Society complied with this recommendation.

It was recommended that the Society report the interest income received on short term investments on Schedule DA Part 1 in the future.

The Society complied with this recommendation.

#### Contract Claims - Life

It was recommended that the Society should settle claims on a more timely and reasonable basis.

The Society complied with this recommendation.

It was recommended that in the future the Society should reconcile their detail listings with their reported amounts in the Annual Statement.

The Society complied with this recommendation.

#### Premiums and Annuity Considerations Received in Advance

It was recommended that the Society should reconcile paid up policy year detail records with listings used by the actuaries in their advance premium calculation.

The Society complied with this recommendation.

#### General Expenses

It was recommended that the Society should sufficiently accrue their liabilities in the future.

The Society complied with this recommendation.

It was recommended that the Society include New Jersey Department of Banking and Insurance Examination Fees under the liability, "Taxes, Licenses and Fees Due or Accrued" in future Annual Statements.

The Society complied with this recommendation.

It was recommended that the Society report payroll withholding under, "Amounts Withheld or Retained by Society as Agent or Trustee".

The Society complied with this recommendation.

### HISTORY

#### General

The Slovak Catholic Sokol was organized on July 4, 1905 in Passaic, New Jersey and incorporated on December 1, 1905, under the name "Slavonian Roman and Greek Catholic Gymnastic Union Sokol of Passaic, New Jersey", under the provisions of an Act of the Legislature of the State of New Jersey titled, "An Act to Incorporate Associations not for Pecuniary Profit", approved April 21, 1898 along with the several supplements thereto and amending thereof.

The Society is currently authorized to transact the business of insurance as specified in NJSA 17:44A et seq. The Society's principal office is located at 205 Madison Street, Passaic, New Jersey 07055. The registered agent in charge, upon whom process may be served, is Steven M. Pogorelec, Supreme Secretary of the Sokol

### Ownership

The Slovak Catholic Sokol is an athletic and gymnastic fraternal benefit society incorporated under the laws of the State of New Jersey as a non-pecuniary society with a ritualistic and representative form of government.

### Management and Control

According to the most recent amended by-laws, the management of Slovak Catholic Sokol shall consist of four (4) branches, namely:

- a.) The Convention
- b.) The Supreme Assembly
- c.) The Supreme Board of Directors
- d.) The Supreme Physical Fitness Board

The Convention shall be the supreme law making body and final judicial authority, composed of Supreme Officers, Honorary Supreme Officers and Delegates of the Assemblies and Wreaths. The Convention shall be held every four years. The Convention governing the years covered by this examination was last held August 6, 2007 through August 9, 2007 at Las Vegas, Nevada.

The members of the Supreme Assembly are elected from the delegates and Supreme Officers present at the Convention. Except for the full-time office of Supreme Secretary, and part-time office of General Counsel, no Supreme Officer shall seek a third consecutive term in the same office. Subsequent to the Convention, the Supreme Assembly shall have the power and authority to manage, govern and administer the business of the Slovak Catholic Sokol and carry into effect all orders and directives of the Conventions from one Convention to another but shall have no authority to change, alter, amend or rescind the by-laws.

The Supreme Board of Directors elected at the Convention shall enforce the by-laws and enactment of the Convention and shall supervise the activities of all Groups, Assemblies, Wreaths, and their officers. The Supreme Board of Directors consists of ten members holding certain offices of the Supreme Assembly. A Majority of the members of the Supreme Board shall constitute a quorum to do business. The Supreme Board of Directors shall hold an annual and subsequent quarterly meetings each year. Minutes and reports of Supreme Officers and Committees shall be published in the official publication within one month after the meetings.

The twelve (12) Supreme Physical Fitness Board members are elected at the Convention. This committee's duties are to see that the gymnastic and athletic activities are carried out to the fullest extent. They shall hold a meeting once a year.

The following is a listing of the Supreme Board of Directors elected and serving at December 31, 2008:

<u>Office</u>	<u>Name and Address</u>	<u>Principal Occupation</u>
Supreme Chaplain	Rev. Andrew S. Hvozdovic 304 S. Elmer Ave. Sayre, PA 18840	Priest
Supreme President	Larry M. Glugosh 107 Aspen Green Calgary, Alberta Canada, T3Z 3B9	Senior Vice President Rogers, Communications, Inc.
Supreme Vice President	Julie Ann Dobbs 5314 Agatha Turn Racine, WI 53402	Registered Nurse
Supreme Secretary	Steven M. Pogorelec, F.I.C. 716 Paulison Ave. Clifton, NJ 07011	Supreme Secretary Sokol
Supreme Treasurer	James G. Jerek 381 Melbourne Ave. Boardman, OH 44512	Business Manager
General Counsel	John D. Pogorelec, Esq. 840 Van Houton Ave. Clifton, NJ 07013	Attorney
Supreme Chairperson	Dennis J. Zifcak 33 Pinecrest Rd. Uxbridge, MA 01569	Retired
Supreme Sports Director	Edward D. Moeller 2821 Waterman Ave. Pittsburgh, PA 15227	Accounts Receivable Administrator
Supreme Physical Director	Dusan Dorich 90 Marston Cres. Cambridge Ontario, CN N3C 4G4	Operations Manager
Supreme Physical Directress	Susan L. Blosser 3113 Royal Troon Woodstock, GA 30189	Registered Nurse



## Corporate Records

The minutes of meetings of directors and committees adequately approved and supported the Society's transactions and events. The previous examination report was reviewed by the Society's directors and the Convention delegates.

## Policy on Conflict of Interest

Slovak Catholic Sokol has a policy statement in effect with respect to conflict of interest. The Sokol has utmost confidence in the loyalty and integrity of its directors, officers and employees.

Questionnaires on conflict of interest are signed after elections of directors and officers at the quadrennial convention. Questionnaires signed by all Supreme Directors and Officers elected at the 30<sup>th</sup> Quadrennial Convention held on August 6 to August 9, 2007 were reviewed and are on file in the home office.

According to the Sokol procedures, signed conflict of interest questionnaires and any changes should be discussed at the annual Board of Directors' meeting. For the period under examination, the approval of the Statement on Conflict of Interest was made part of the minutes of the Board of Directors' meeting.

## FIDELITY BOND AND OTHER INSURANCE COVERAGES

At December 31, 2008, the Slovak Catholic Sokol's Financial Institution Bond met the minimum coverage as required by the NAIC as follows:

### COVERAGE

### LIMITATIONS

Financial Institution Bond	\$ 500,000 - Fidelity \$ 500,000 - On Premises Loss of Property \$ 500,000 - In Transit Loss of Property \$ 500,000 - Forgery & Alteration \$ 500,000 - Counterfeit Currency \$ 25,000 - Single Loss Deductible
----------------------------	--

The Slovak Catholic Sokol maintains the following other insurance coverages:

Commercial Umbrella	\$ 5,000,000 - Each Occurrence \$ 5,000,000 - General Aggregate \$ 5,000,000 - Personal & Advertising Insury \$5,000 - Retained Limit
Commercial Property	\$ 3,649,708 - Building 1 at 205-207 Madison St. Main Office, Passaic, NJ 07055 \$ 620,211 - Business Personal Property \$ 729,941 - Business Income \$ 50,000 - Electronic Data Equipment \$ 10,000 - Electronic Data Processing Data

\$ 1,092,727 –Building 2 at 205-207 Madison St.  
Storage Warehouse, Passaic, NJ  
\$ 218,545 - Business Income

Workers' Compensation                   \$ 500,000 - Each Accident  
\$ 500,000 - Disease - Policy Limit  
\$ 500,000 - Disease - Each Employee

### EMPLOYEE WELFARE AND PENSION PLANS

The Society has a pension plan known as the "Supreme Officers' and Employees' Retirement Plan of the Slovak Catholic Sokol" which was established in 1961. The Amended Plan was effective January 1, 2002. The Plan was approved by the Internal Revenue Service on June 12, 2002. The Plan is non-contributory and covers all full-time employees. As of December 31, 2008, the Society accrued for an actuarially determined amount of benefits in the amount of \$4,020,439.

The Society provides group life insurance, medical and dental care benefits to all regular full-time employees and their dependents. This coverage, funded in full by the Society, is written through the US Life Insurance Company and Horizon Blue Cross/Blue Shield.

### INSURANCE PRODUCTS AND RELATED SERVICES

#### Policy Forms and Underwriting Practices

The Society is approved to write the following types of certificates of life insurance:

<u>Plan</u>	<u>Applicable to</u>	<u>Limits</u>
20 Year Decreasing Term	Adult	10,000 to 250,000
5 Year Renewable Term	Juvenile and Adult	10,000 to 250,000
Term to Age 25	Juvenile	10,000 to 25,000
3 Payment Life	Juvenile and Adult	5,000 to 250,000
Life Paid Up at Age 65	Juvenile and Adult	3,000 to 200,000
Life Paid Up at Age 80	Juvenile and Adult	3,000 to 200,000
20 Year Payment Life	Juvenile and Adult	3,000 to 200,000
Single Premium Life	Juvenile and Adult	3,000 to 200,000
Single Premium Deferred Annuity	Juvenile and Adult	2,000 to 150,000
Flexible Annual Premium Deferred Annuity	Juvenile and Adult	200 to 150,000
Spouse's 20 Year Decreasing Term Rider	Adult	
20 Year Decreasing Term Rider	Adult	

The Sokol producers may require a medical examination regardless of age of insurance whenever it is deemed necessary. The Slovak Catholic Sokol employs two producers licensed in the State of New Jersey. They examine the applications for membership and determine the eligibility of the applicants in accordance with the By-Laws (ethnic origin, religion, age, etc.). The producers evaluate the answers to specific questions in the application and determine

whether a medical examination is to be requested with the advice of a Medical Examiner. The Supreme Executive Finance Board institutes any new insurance plans or changes of plans so that the Sokol is competitive with other fraternal benefit societies.

There have been no changes in policy amounts since the last examination.

The interest rate on single premium deferred annuities and flexible annual premium deferred annuities on December 31, 2008 was 4.00% with a guaranteed rate of 3.0%.

The minimum face amounts were increased effective January 1, 2008 for all certificates issued in amounts equal to or greater than the following:

Life Plans minimum	\$5,000
3 Year Payment Life Plan minimum	5,000
Term Plans minimum	10,000

The following limits represent the total amount of insurance under all Sokol insurance plans which may be issued to any individual without a medical examination within a three year period from the date an individual becomes a member of Sokol:

<u>Age Nearest Birthday</u>	<u>No Medical Examination Needed Up to</u>
0-40	\$ 100,000
41-55	50,000
56-65	15,000
66-80	5,000

#### Territory and Plan of Operation

As of December 31, 2008 there were ten states in which the Sokol was authorized to transact business. As list of the states follows:

Connecticut  
Illinois  
Indiana  
Massachusetts  
Michigan  
New Jersey  
New York  
Ohio  
Pennsylvania  
Wisconsin

Current certificates of authority for the transactions of business in the jurisdictions in which the Sokol is licensed are on file in its home office.

Among the purposes and objectives of the Sokol are aiding the sick and disabled members, easing the burdens of widows and orphans of deceased members and providing such legal

reserve insurance benefits for its members as the organization shall, from time to time, determine.

To become an insured member a person must preserve the Slovak Heritage, support the ideals of the Catholic Faith and uphold the Bylaws of the Slovak Catholic Sokol.

Membership in the Society is initiated through recommendations by current members of assemblies and wreaths. The Society does not employ agents or agencies but does have two licensed home office employees.

The Sokol conducts the business of a fraternal benefit society from the home office located at 205 Madison Street, Passaic, New Jersey 07055.

Effective April 1, 1996, all membership dues and assessments (billing statements) are sent directly to paying members. Claims processing is done in the home office.

At December 31, 2008 there were 107 subordinate assemblies (lodges) in the United States and Canada for a decrease of 32 from the last examination. The decrease was the result of merging lodges.

#### Advertising

The Society had limited advertising. All advertising was reviewed and deemed to be in compliance with NJSA 17:18-10.

#### Treatment of Policyholders

A review of complaints filed with the New Jersey Department of Banking and Insurance were reviewed and found to be properly addressed. A complaint log was maintained at the Society's home office in compliance with NJSA 17:29B-4(10).

### ACCOUNTS AND RECORDS

At December 31, 2008, the Sokol used an IBM/AS400 computer system. This system can interface with all accounting and policy transactions of the Sokol. United Systems and Software, Inc., an outside vendor, provides all of the system support and services.

The Sokol's direct billing was mandated at the 27<sup>th</sup> Quadrennial National Convention held in August, 1995. Effective April, 1996, all membership dues and assessments (billing statements) are sent directly to the paying members. Billing notices are mailed directly to the members for their dues in advance. The timing of payments is at the option of the members and can be monthly, semi-annually or annually. Follow up notices are sent after 30, 60 and 90 days if dues are not paid.

All death claims go through the office of the Supreme Secretary and are time-stamped when received. Death claims and cash surrender values are calculated by computer and then test-checked manually to actuarial tables. An original policy and death claim certificate must be

submitted before death claims are paid. All check payments must be authorized by the Supreme Secretary.

Mr. Murray A. Barnett, CFA, of PNC Institutional Investments is the Sokol's Investment Manager. The Supreme Board of Directors meets periodically with the Investment Manager and reviews the recommendations made by him. The Board then votes upon the recommendations and advises the Investment Manager on the specific securities to be bought or sold.

At December 31, 2008 the Society's securities were held at PNC Bank NA, Two Tower Center Boulevard, 22<sup>nd</sup> Floor, East Brunswick, New Jersey 08816.

A review of the Information System was performed by Tom Walker of the New Jersey Department of Banking and Insurance. During the examination it was determined that the Society has a disaster recovery and business continuity program that appears adequate. However, since they have never run any sort of recovery test on these systems it is recommended that they immediately and then periodically test their disaster recovery and business continuity plans.

#### FINANCIAL STATEMENTS AND OTHER EXHIBITS

<u>Exhibit A</u>	Statement of Assets, Liabilities, Surplus and Other Funds at December 31, 2008
<u>Exhibit B</u>	Summary of Operations for the Five Years Ended December 31, 2008
<u>Exhibit C</u>	Surplus Account for the Five Years Ended December 31, 2008

ASSETS, LIABILITIES, AND UNASSIGNED FUNDS AT DECEMBER 31, 2008

EXHIBIT A

	Balance Per Examination <u>12/31/2008</u>	Balance Per Company <u>12/31/2008</u>	Examination <u>Change</u>	Note <u>Number</u>
<u>Assets</u>				
Bonds	\$39,792,351	\$39,792,351	\$0	
Common Stocks	6,811,022	6,811,022	0	
Mortgage Loans on Real Estate: First Liens	443,526	443,526	0	
Real Estate : Properties Occupied by the Society	235,621	235,621	0	
Cash	2,940,306	2,940,306	0	
Contract Loans	199,815	199,815	0	
Investment Income Due and Accrued	579,949	579,949	0	
Uncollected Premiums or Agents' Balances	16,202	16,202	0	
Aggregate Write-ins for Other Than Invested Assets	<u>9,877</u>	<u>9,877</u>	<u>0</u>	
Total Admitted Assets	<u>\$51,028,669</u>	<u>\$51,028,669</u>	<u>\$0</u>	
<u>Liabilities, Surplus and Other Funds</u>				
Aggregate Reserve for Life Certificate and Contracts	\$35,619,227	\$35,619,227	\$0	1
Liability for Deposit-type Contracts	533,215	533,215	0	
Contract Claims: Life	280,069	280,069	0	
Provision for Refunds Payable: Not Yet Apportioned	75,000	75,000	0	
Premiums & Annuity Considerations received in Advance	15,925	15,925	0	
Interest Maintenance Reserve	162,092	162,092	0	
Commissions to Fieldworkers Due or Accrued	1,275	1,275	0	
General Expenses Due or Accrued	147,526	147,526	0	
Taxes, Licenses and Fees Due or Accrued	75,000	75,000	0	
Net Adjustment in Assets & Liabilities Due	9,571	9,571	0	
Liability for Benefits for Employees & Fieldworkers	4,020,439	4,020,439	0	
Miscellaneous Liabilities: Asset Valuation Reserve	12,592	12,592	0	
Aggregate Write-ins for Liabilities	<u>330,304</u>	<u>330,304</u>	<u>0</u>	
Total Liabilities	<u>\$41,282,235</u>	<u>\$41,282,235</u>	<u>\$0</u>	
Unassigned Funds	<u>\$9,746,434</u>	<u>\$9,746,434</u>	<u>\$0</u>	2
Total Liabilities and Unassigned Funds	<u>\$51,028,669</u>	<u>\$51,028,669</u>	<u>\$0</u>	

SUMMARY OF OPERATIONS  
FOR THE FIVE YEARS ENDED DECEMBER 31,  
2008

EXHIBIT B

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Premiums and Annuity Considerations	\$1,033,440	\$721,444	\$807,652	\$806,707	\$792,261
Net Investment Income	2,616,062	2,440,176	2,553,765	2,570,151	2,490,020
Amortization of Interest Maintenance Reserve	60,788	174,507	183,466	131,411	94,808
Aggregate Write-ins for Miscellaneous Income	<u>49,982</u>	<u>50,984</u>	<u>109,597</u>	<u>65,596</u>	<u>55,914</u>
Totals	<u>\$3,760,272</u>	<u>\$3,387,111</u>	<u>\$3,654,480</u>	<u>\$3,573,865</u>	<u>\$3,433,003</u>
<u>Deductions:</u>					
Death Benefits	\$811,955	\$896,648	\$949,377	\$800,515	\$893,064
Matured Endowments	53,596	77,090	71,296	33,162	45,838
Annuity and Old Age Benefits	359,023	75,010	441,125	185,041	248,131
Surrender Benefits	233,004	196,787	174,283	131,705	241,380
Interest & Adjustments on Contract Funds	12,947	12,294	17,891	19,477	64,756
Increase in Aggregate Reserves for Life and Accident and Health Contracts	487,950	429,713	250,404	693,888	375,941
Commissions on Premiums, Annuity Considerations And Deposit-type Funds ( direct business only)	51,910	21,685	22,567	22,446	31,175
General Insurance & Fraternal Expenses	1,766,967	2,056,120	1,898,166	2,003,673	1,739,740
Insurance Taxes, Licenses and Fees	107,977	93,973	87,742	98,779	117,772
Increase in Loading on Deferred & Uncollected Premiums	205	0	229	0	0
Aggregate Write-ins for Deductions	<u>950</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$3,886,484</u>	<u>\$3,859,320</u>	<u>\$3,913,080</u>	<u>\$3,988,686</u>	<u>\$3,757,797</u>
<u>Other Income</u>					
Net Gain From Operations Before Refunds					
To Members	(\$126,212)	(\$472,209)	(\$258,600)	(\$414,821)	(\$324,794)
Refunds to Members	275,000	250,000	150,000	100,000	75,000
Net Gain From Operations After Refunds					
To Members	(401,212)	(722,209)	(408,600)	(514,821)	(399,794)
Net Realized Capital Gains or ( Losses)	<u>(103,943)</u>	<u>(170,341)</u>	<u>(158,318)</u>	<u>79,127</u>	<u>(538,206)</u>
Net Income	<u>(\$505,155)</u>	<u>(\$892,550)</u>	<u>(\$566,918)</u>	<u>(\$435,694)</u>	<u>(\$938,000)</u>

SURPLUS ACCOUNT  
FOR THE FIVE YEARS ENDED DECEMBER 31,  
2008

EXHIBIT C

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Surplus, December 31, Previous Year	\$12,329,707	\$12,539,747	\$11,998,469	\$12,356,812	\$12,330,911
Net Income from Operations	(505,155)	(892,550)	(566,918)	(435,694)	(938,000)
Change in Net Unrealized Capital Gains Or (Losses)	722,826	320,794	1,150,321	419,057	(2,746,150)
Change in Net Unrealized Foreign Exchange Capital Gains or (Losses)	395	729	(1,649)	2,061	(9,558)
Change in Non-Admitted Assets	58,876	(4,467)	(27,887)	30,526	13,022
Change in Asset Valuation Reserve	(67,109)	34,216	(195,524)	(41,855)	1,108,955
Aggregate Write-ins for Gains And Losses in Surplus	<u>207</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>(12,791)</u>
Net Change in Surplus for the Year	<u>\$210,040</u>	<u>(\$541,278)</u>	<u>\$358,343</u>	<u>(\$25,901)</u>	<u>(\$2,584,522)</u>
Surplus, December 31, Current Year	<u>\$12,539,747</u>	<u>\$11,998,469</u>	<u>\$12,356,812</u>	<u>\$12,330,911</u>	<u>\$9,746,389</u>



## NOTES TO FINANCIAL STATEMENTS

### Note 1

#### AGGREGATE RESERVE FOR LIFE CERTIFICATES AND CONTRACTS

The Society reported a liability for Aggregate Reserve for Life Certificates and Contracts of \$35,619,227 as of December 31, 2008. The reserves were certified by CPS Actuaries of Stamford, Connecticut, the Society's consulting actuary.

The valuation record within the Actuaries computer system was utilized by the Examiners for all reserve calculation. The validity of the reserves as of December 31, 2008 was tested using a random selection from the Actuaries detail report and verifying the record to the Society's membership application files.

The summary valuation was referred to the Valuation Bureau of the New Jersey Department of Banking and Insurance for further review with regard to the accuracy of the reserve factors used. It has been determined that the valuation reported reasonably states the Society's Exhibit 5 reserves. A Summary of the Aggregate Life Insurance Reserves is listed below:

<u>Life Insurance Reserve Basis</u>	<u>Ordinary Reserve</u>
AE 3% NLP	\$ 94,944
AE 3%	2,699,296
41SI 3% NLP	7,947
41SI 3%	1,840,926
AM 2.5% NLP	102,423
AM 2.5%	3,720
AM 2.5%	4,091,979
58 CSO 2.5% NLP	191,239
58 CSO 2.5%	2,328,627
58 CET 2.5%	97,213
58 CSO 3.5%	96,381
58 CSO 2.5%	2,674,861
80 CSO 6% CNF	240,805
80 CSO 5.5% CNF	3,921,331
80 CSO 5% NLP CNF	992,070
80 CET 5% CNF	56,514
58 CSO 5% CNF	877,255
58 CET 5% CNF	210,330
58 CET 4.5% NLP CNF	1,287,038
80 CET 4.5% CNF	7,810,640
80 CET 4.5% CNF	59,239
80 CSO 4% NLP CNF	114,081
80 CSO 4% CNF	587,498
Total	<u>\$30,386,359</u>

Annuities	\$ <u>4,878,256</u>
Total	\$ <u>4,878,256</u>
Supplementary Contacts with Life Contingencies:	
1983 Table a 4.25%	\$ 6,950
1983 Table a 3%	<u>16,621</u>
Total	\$ 23,571
Miscellaneous Reserve:	
Unearned Premium Reserve	\$ 109,017
Immediate payment of claims	189,833
For AIDS risk	28,400
For non-deduction of deferred fractional Premiums	<u>3,791</u>
Total	\$ <u>331,041</u>
Grand Total	\$ <u>35,619,227</u>

## Note 2

### SURPLUS AS REGARDS POLICYHOLDERS

#### Unassigned Funds

The unassigned funds reported by the Society as at December 31, 2008 amounted to \$9,746,434. Some examination immaterial differences were noted but in total were below the materiality amount of \$487,322. Materiality was calculated as 5% of surplus.

### SUBSEQUENT EVENTS

No significant subsequent events were noted.

## SUMMARY OF RECOMMENDATIONS

### Page

#### Accounts and Records

11 A review of the Information System was performed by Tom Walker of the New Jersey Department of Banking and Insurance. During the examination it was determined that the Society has a disaster recovery and business continuity program that appears adequate. However, since they have never run any sort of recovery test on these systems it is recommended that they immediately and then periodically test their disaster recovery and business continuity plans.

### CONCLUSION

The examination of Slovak Catholic Sokol was conducted by the undersigned with the assistance of field examiners and other members of the New Jersey Department of Banking and Insurance.

The assistance extended to the examination staff by the officers and employees of the Society is acknowledged.

Respectfully submitted,

/S/

Daniel J. Fialkowski CFE, CPM, FLMI  
Examiner-In-Charge

Slovak Catholic Sokol

I, Daniel J. Fialkowski, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as at December 31, 2008, to the best of my information, knowledge and belief.

Respectfully Submitted,

/S/

Daniel J. Fialkowski CFE, CPM, FLMI  
Examiner-In-Charge  
Supervising Insurance Examiner  
New Jersey Department of Banking and Insurance

State of New Jersey  
County of Mercer

Subscribed and sworn to before me, Thomas B. Walker on this 1<sup>st</sup> day of February 2009.

/S/

Notary Public of New Jersey

My commission expires September 29<sup>th</sup>, 2013